

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2018 and 2017

**AMERICANS FOR PROSPERITY FOUNDATION  
AND SUBSIDIARY**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Americans for Prosperity Foundation and Subsidiary  
Arlington, Virginia

We have audited the accompanying consolidated financial statements of Americans for Prosperity Foundation and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Americans for Prosperity Foundation and Subsidiary  
Arlington, Virginia

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Americans for Prosperity Foundation and Subsidiary as of December 31, 2018 and 2017, and the changes in its consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, Americans for Prosperity Foundation and Subsidiary has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the December 31, 2018 and 2017 consolidated financial statements. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

New York, New York  
October 4, 2019

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidated Statements of Financial Position

	December 31,	
	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 27,579,612	\$ 21,650,880
Other receivable	570,289	174,204
Prepaid expenses and other assets	683,533	1,180,701
Total current assets	<u>28,833,434</u>	<u>23,005,785</u>
Property, equipment, and leasehold improvements, net	105,998	207,168
Deposits	<u>121,119</u>	<u>135,015</u>
Total Assets	<u><u>\$ 29,060,551</u></u>	<u><u>\$ 23,347,968</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 2,116,658	\$ 2,418,539
Accrued liabilities	1,808,497	1,097,185
Total current liabilities	<u>3,925,155</u>	<u>3,515,724</u>
Deferred rent liability	<u>2,036,346</u>	<u>2,105,788</u>
Total liabilities	<u>5,961,501</u>	<u>5,621,512</u>
Net assets		
Without donor restrictions	21,906,809	15,996,745
With donor restrictions	1,192,241	1,729,711
Total net assets	<u>23,099,050</u>	<u>17,726,456</u>
Total Liabilities and Net Assets	<u><u>\$ 29,060,551</u></u>	<u><u>\$ 23,347,968</u></u>

See notes to consolidated financial statements

**AMERICANS FOR PROSPERITY FOUNDATION  
AND SUBSIDIARY**

**Consolidated Statements of Activities**

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and contributions	\$ 110,361,874	\$ 2,431,215	\$ 112,793,089	\$ 71,458,965	\$ 3,197,658	\$ 74,656,623
Contributed services and gift-in-kind	30,860,936	-	30,860,936	28,897,812	-	28,897,812
Registration fees	-	-	-	17,986	-	17,986
Investment income	135,415	-	135,415	72,858	-	72,858
Miscellaneous income	445,282	-	445,282	132,842	-	132,842
Total Support and Revenue	141,803,507	2,431,215	144,234,722	100,580,463	3,197,658	103,778,121
NET ASSETS RELEASED FROM RESTRICTION						
Net assets released from restriction by satisfaction of program restrictions	2,968,685	(2,968,685)	-	1,985,803	(1,985,803)	-
Total Support, Revenue, and Net Assets Released from Restriction	144,772,192	(537,470)	144,234,722	102,566,266	1,211,855	103,778,121

(continued)

See notes to consolidated financial statements

**AMERICANS FOR PROSPERITY FOUNDATION  
AND SUBSIDIARY**

**Consolidated Statements of Activities**

(continued)

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>EXPENSES</b>						
Program services						
National activities	82,182,761	-	82,182,761	36,284,720	-	36,284,720
State chapter activities	28,559,788	-	28,559,788	40,606,540	-	40,606,540
	<u>110,742,549</u>	<u>-</u>	<u>110,742,549</u>	<u>76,891,260</u>	<u>-</u>	<u>76,891,260</u>
Supporting activities						
Management and general	21,511,997	-	21,511,997	18,618,308	-	18,618,308
Fundraising and						
membership development	6,607,582	-	6,607,582	4,721,843	-	4,721,843
	<u>28,119,579</u>	<u>-</u>	<u>28,119,579</u>	<u>23,340,151</u>	<u>-</u>	<u>23,340,151</u>
Total Expenses	<u>138,862,128</u>	<u>-</u>	<u>138,862,128</u>	<u>100,231,411</u>	<u>-</u>	<u>100,231,411</u>
Change in Net Assets	5,910,064	(537,470)	5,372,594	2,334,855	1,211,855	3,546,710
Net Assets, Beginning of Year	<u>15,996,745</u>	<u>1,729,711</u>	<u>17,726,456</u>	<u>13,661,890</u>	<u>517,856</u>	<u>14,179,746</u>
Net Assets, End of Year	<u>\$ 21,906,809</u>	<u>\$ 1,192,241</u>	<u>\$ 23,099,050</u>	<u>\$ 15,996,745</u>	<u>\$ 1,729,711</u>	<u>\$ 17,726,456</u>

See notes to consolidated financial statements

**AMERICANS FOR PROSPERITY FOUNDATION  
AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,372,594	\$ 3,546,710
Adjustments to reconcile change in net assets to net cash provided (used) for operating activities		
Depreciation	103,368	338,183
Changes in		
Other receivable	(396,085)	(171,697)
Prepaid expenses and other assets	497,168	456,750
Deposits	13,896	126,634
Accounts payable and accrued liabilities	409,431	518,010
Deferred rent liability	(69,442)	492,643
Net Cash Provided by Operating Activities	<u>5,930,930</u>	<u>5,307,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(2,198)</u>	<u>(21,393)</u>
Net Cash Used by Investing Activities	<u>(2,198)</u>	<u>(21,393)</u>
Net Change in Cash and Cash Equivalents	5,928,732	5,285,840
Cash and Cash Equivalents, Beginning of Year	<u>21,650,880</u>	<u>16,365,040</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 27,579,612</u></u>	<u><u>\$ 21,650,880</u></u>

See notes to consolidated financial statements



# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Supporting Services			
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	Total Expense
Communications, ads, media	\$ 27,980,208	\$ 14,176,121	\$ 42,156,329	\$ 3,957	\$ 218,075	\$ 222,032	\$ 42,378,361
Salaries, benefits and payroll taxes	24,348,148	5,207,064	29,555,212	4,810,249	1,766,668	6,576,917	36,132,129
Printing and duplication	81,068	75,710	156,778	6,168	550,238	556,406	713,184
Professional fees, consulting	17,511,778	2,991,002	20,502,780	9,099,169	1,326,827	10,425,996	30,928,776
Postage, courier, overnight	1,936,127	1,382,378	3,318,505	17,567	882,167	899,734	4,218,239
Meetings, conferences and events	971,660	863,026	1,834,686	108,214	8,758	116,972	1,951,658
Travel	4,611,126	2,291,046	6,902,172	303,245	173,383	476,628	7,378,800
Contractors	1,267,355	121,339	1,388,694	2,049,222	833,744	2,882,966	4,271,660
Computers/IT service	42,323	20,253	62,576	5,849	1,175	7,024	69,600
Legal and audit fees	178,867	2,150	181,017	861,409	58	861,467	1,042,484
Honoraria	233,588	39,367	272,955	534	278	812	273,767
Contributions/sponsorship	240,130	205,026	445,156	14,465	12,021	26,486	471,642
Taxes, licenses and fees	9,736	2,179	11,915	9,498	370	9,868	21,783
Miscellaneous	826	171	997	115,928	23	115,951	116,948
Telecommunications	64,405	16,533	80,938	878,030	4,697	882,727	963,665
Bank and other fees	1,557	2,050	3,607	68,487	121,970	190,457	194,064
Subscriptions and publications	117,122	23,766	140,888	51,464	1,783	53,247	194,135
List rental	239	47	286	15	441,372	441,387	441,673
Other payroll related expenses	317,256	534,629	851,885	229,280	1,336	230,616	1,082,501
Office and equipment maintenance	35,579	9,359	44,938	34,436	2,331	36,767	81,705
Office supplies and expense	258,480	158,613	417,093	81,486	11,343	92,829	509,922
Occupancy	1,858,087	386,434	2,244,521	2,710,003	117,775	2,827,778	5,072,299
Membership	21,012	17,811	38,823	37,167	1,346	38,513	77,336
Depreciation	67,359	16,702	84,061	15,061	4,246	19,307	103,368
Gifts and grants	28,725	17,012	45,737	1,094	125,598	126,692	172,429
Total Functional Expenses	\$ 82,182,761	\$ 28,559,788	\$ 110,742,549	\$ 21,511,997	\$ 6,607,582	\$ 28,119,579	\$ 138,862,128

See notes to consolidated financial statements

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Services			
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	Total Expense
Communications, ads, media	\$ 1,052,472	\$ 7,633,414	\$ 8,685,886	\$ 82,014	\$ 408,917	\$ 490,931	\$ 9,176,817
Salaries, benefits and payroll taxes	11,784,369	15,718,163	27,502,532	4,369,993	1,843,375	6,213,368	33,715,900
Printing and duplication	46,401	101,983	148,384	314	22,122	22,436	170,820
Professional fees, consulting	17,610,509	8,670,307	26,280,816	10,257,390	1,198,880	11,456,270	37,737,086
Postage, courier, overnight	296,473	1,047,121	1,343,594	11,333	371,004	382,337	1,725,931
Meetings, conferences and events	812,832	557,249	1,370,081	41,509	316,977	358,486	1,728,567
Travel	3,416,958	3,089,417	6,506,375	281,565	269,110	550,675	7,057,050
Contractors	1,901	90,729	92,630	9,486	2,647	12,133	104,763
Computers/IT service	57,318	58,396	115,714	73,748	14,144	87,892	203,606
Legal and audit fees	428,407	2,866	431,273	327,315	-	327,315	758,588
Honoraria	146,865	17,810	164,675	-	-	-	164,675
Contributions/sponsorship	148,195	186,995	335,190	21,261	22,777	44,038	379,228
Taxes, licenses and fees	58	-	58	19,770	1,418	21,188	21,246
Miscellaneous	6,062	13,413	19,475	2,620	1,539	4,159	23,634
Telecommunications	40,947	100,515	141,462	849,806	6,813	856,619	998,081
Bank and other fees	18,550	20,877	39,427	9,753	63,918	73,671	113,098
Subscriptions and publications	89,437	38,344	127,781	32,400	25,932	58,332	186,113
List rental	77	850	927	60	123,127	123,187	124,114
Other payroll related expenses	8,516	34,446	42,962	258,353	547	258,900	301,862
Office and equipment maintenance	22,164	44,277	66,441	89,891	4,674	94,565	161,006
Office supplies and expense	80,182	289,208	369,390	54,734	3,962	58,696	428,086
Occupancy	13,721	2,585,526	2,599,247	1,742,352	2,158	1,744,510	4,343,757
Membership	15,043	29,004	44,047	14,977	973	15,950	59,997
Depreciation	123,572	135,736	259,308	63,009	15,866	78,875	338,183
Gifts and grants	63,691	139,894	203,585	4,655	963	5,618	209,203
<b>Total Functional Expenses</b>	<b>\$ 36,284,720</b>	<b>\$ 40,606,540</b>	<b>\$ 76,891,260</b>	<b>\$ 18,618,308</b>	<b>\$ 4,721,843</b>	<b>\$ 23,340,151</b>	<b>\$ 100,231,411</b>

See notes to consolidated financial statements

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 1. NATURE OF ORGANIZATION

Americans for Prosperity Foundation (AFPF) was incorporated on July 22, 1987, commenced operations on February 1, 1988, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. AFPF is a nationwide organization of citizen leaders committed to greater economic growth, opportunity, and prosperity through strong ethical foundations, government restraint and private sector productivity, economic freedom and competition. AFPF educates citizens about the value of fiscal and regulatory restraint by state governments, and a return of the federal government to its constitutional limits. AFPF concentrates its efforts at the state level and maintains both state chapters and a national office to achieve its goals. AFPF's support comes primarily from individual, foundation, and business donors.

In March of 2004, AFPF established a new legal entity, Americans for Prosperity (AFP). AFP is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. AFP is a nationwide organization of citizen leaders committed to greater economic growth, opportunity, and prosperity through strong ethical foundations, government restraint and private sector productivity, economic freedom and competition. AFP mobilizes citizens to advance economic freedom. AFP's support comes primarily from individual and business donors.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of AFPF and AFP (collectively referred to as the Organization) after elimination of all significant intercompany accounts and transactions.

#### ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Organization considers all highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. Accounts are insured up to \$250,000 by the FDIC for each organization. At December 31, 2018 and 2017, the cash accounts exceeded FDIC insured limits by approximately \$27,616,000 and \$20,520,000, respectively. However, the Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### CASH AND CASH EQUIVALENTS, continued

AFP maintained a segregated bank account as required by the Federal Elections Commission for its express advocacy and lobbying activity. This account had balances of \$507,951 and \$706,886 at December 31, 2018 and 2017, respectively, and is included in cash and cash equivalents on the consolidated statements of financial position.

#### PROPERTY, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND DEPRECIATION

Individual items over \$1,000 and bulk purchases totaling over \$5,000 are capitalized as property and equipment and are reported at cost, or if donated, at fair market value on the date of donation. The Organization reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Assets reported as property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, generally three to ten years.

#### SUPPORT, REVENUE, AND RECLASSIFICATIONS

Contributions received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

#### CONTRIBUTED SERVICES AND GIFT-IN-KIND

The Organization recognizes contributed support for services received at the fair value of those services and that meet generally accepted accounting principles reporting requirements. These contributed services consist of donated media, consulting, technology, and insurance services. For the years ended December 31, 2018 and 2017, the Organization reported \$30,860,936 and \$28,897,812, respectively, of contributed services that met reporting standards and are reported in the consolidated statements of functional expenses as components of the following:

	Year Ended December 31,	
	2018	2017
Communications, ads, media	\$ -	\$ 433,487
Professional fees, consulting and technology services	27,152,282	25,463,712
Insurance	3,708,654	3,000,613
	<u>\$ 30,860,936</u>	<u>\$ 28,897,812</u>

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### CONTRIBUTED SERVICES AND GIFT-IN-KIND, continued

Many volunteers have contributed numerous hours of administrative, maintenance and fundraising services to the Organization. However, these hours do not meet the requirements to be recorded as revenue and expense under the *Contributions* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

#### FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among its various programs, management and general, and fundraising and membership development. Expenses that can be identified with a specific program, management and general, and fundraising and membership development are allocated directly according to their natural expenditure classification which includes expenses for ads and media. Other expenses that are common to both program functions and supporting services are allocated based on time studies performed by management. These expenses include salaries and benefits, professional fees, occupancy, and depreciation.

#### ADVERTISING

The Organization utilizes print, radio and television ads to increase their activist base and to bring awareness and information to the public in furtherance of its mission. These costs are expensed as incurred and totaled \$42,378,361 and \$9,176,817 for the years ended December 31, 2018 and 2017, respectively. These costs are charged directly to the program they benefit.

#### INCOME TAXES

The Organization is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, no provision for income taxes has been made in these consolidated financial statements. In addition the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

The 2015, 2016, and 2017 tax years are open and subject to examination by the Internal Revenue Service (IRS), Virginia Department of Revenue, and various other state taxing agencies. Currently, AFP is under audit by the IRS for the 2016 tax year.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe the categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses were expanded.

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date.

Financial assets	
Cash and cash equivalents	\$ 27,579,612
Other receivable	570,289
Financial assets, at year end	<u>28,149,901</u>
Less those unavailable for general expenditure within one year, due to	
Contractual or donor-imposed restrictions	
Restrictions by donors with time or purpose restrictions	<u>(171,214)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 27,978,687</u>

The Organization is substantially supported by contributions on an unrestricted and restricted basis. Those contributions with donor restriction require resources to be used in a particular manner or in a future period. AFP must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Organization has \$1,192,241 in net assets with donor restrictions for projects, of which \$1,021,027 is considered available to meet needs for general expenditures within one year.

### 4. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements consists of:

	December 31,	
	2018	2017
Software	\$ 797,612	\$ 797,612
Hardware	796,503	796,503
Leasehold improvements	134,735	134,735
Office furniture	195,979	195,979
Office equipment	100,634	98,436
	<u>2,025,463</u>	<u>2,023,265</u>
Accumulated depreciation	<u>(1,919,465)</u>	<u>(1,816,097)</u>
	<u>\$ 105,998</u>	<u>\$ 207,168</u>

Depreciation expense for the years ended December 31, 2018 and 2017, was \$103,368 and \$332,670, respectively.

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2018	2017
State chapter activities		
Georgia	\$ -	\$ 97,529
Indiana	-	49,883
Michigan	2,886	2,886
Nevada	158,980	192,576
North Carolina	58,546	-
Oregon	120,785	120,785
Texas	652,587	491,862
Wisconsin	198,457	334,570
National activities	-	439,620
	\$ 1,192,241	\$ 1,729,711

### 6. DONOR CONCENTRATION

During the years ended December 31, 2018 and 2017, the Organization received 71% and 68% of its total contributions from two and five donors, respectively, and 100% and 98% of its total contributed services from three donors, respectively.

### 7. DIRECT MAIL COSTS

During the years ended December 31, 2018 and 2017, the Organization incurred fundraising direct mail costs of \$1,634,530 and \$790,061, respectively. These costs have been reported as part of fundraising and membership development expenses.

### 8. DISREGARDED ENTITY

The Organization is the sole owner of an LLC, which is a disregarded entity for tax purposes. As such, any activity in the LLC or assets owned by the LLC are recorded in the accompanying consolidated financial statements.

### 9. RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) plan covering substantially all full-time permanent employees. The Organization matches 100% of the first 3% an employee contributes and 50% of the next 2% an employee contributes. Effective November 1, 2018, the Organization matches 100% of the first 6% an employee contributes. Employer contributions for the years ended December 31, 2018 and 2017, were \$934,727 and \$553,171, respectively.

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 10. COMMITMENTS

The Organization recognizes rent expense on a straight-line basis during the term of its leases, with the difference between rent expense recognized and rent payments made reported as deferred rent liability in the consolidated statements of financial position.

#### OFFICE SPACE-1310 N COURTHOUSE ROAD

On November 1, 2015, the Organization began occupying office space under a sublease agreement. The lease term is eleven years and six months from the first date of occupancy and expires in April 2027. Lease costs not associated with the build out of the space were abated for the first 18 months, leaving only the amortized build out costs to be paid in the first year, which approximated \$130,000. Additional, partial abatement of rent continues for an additional 4 months. Annual base rent payments range from \$754,000 in year 2 and \$1,558,000 in year 3, with approximately 2% increases in subsequent years through 2027.

Minimum base lease payments for future years are as follows:

<u>Year Ended December 31,</u>	
2019	\$ 1,599,966
2020	1,636,715
2021	1,674,382
2022	1,712,991
2023	1,752,566
2023 and thereafter	<u>6,143,022</u>
	<u>\$ 14,519,642</u>

#### OFFICE SPACE-STATE CHAPTERS

The Organization maintains operating leases for office space for state chapters in multiple states. Monthly rents range from \$1,200 to \$4,125. Leases expire at various dates through 2023. Minimum base lease payments for future years are as follows:

<u>Year Ended December 31,</u>	
2019	\$ 670,405
2020	539,523
2021	376,518
2022	174,196
2023	<u>66,650</u>
	<u>\$ 1,827,292</u>

Total lease expenses were approximately \$2,735,000 and \$2,461,000 for the years ended December 31, 2018 and 2017, respectively.



# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 11. STATE CHAPTER ACTIVITIES

Expenses by state chapter are as follows:

	Year Ended December 31,	
	2018	2017
Alabama	\$ 113	\$ -
Alaska	212,944	536,416
Arizona	901,123	1,433,066
Arkansas	247,871	534,457
Colorado	2,921,347	1,520,666
Florida	3,168,073	3,536,500
Georgia	255,578	588,656
Illinois	176,486	524,156
Indiana	551,260	2,895,131
Iowa	429,391	739,929
Kansas	561,251	1,030,925
Kentucky	216,423	597,643
Louisiana	487,993	602,228
Maine	-	100
Maryland	209	34,312
Michigan	1,306,219	751,546
Minnesota	231,508	333,629
Mississippi	163,857	424,675
Missouri	3,215,643	2,140,093
Montana	1,077,529	498,773
Nebraska	168,360	388,931
Nevada	592,527	1,346,471
New Hampshire	290,735	473,673
New Jersey	231,670	611,375
New Mexico	364,135	605,124
North Carolina	771,739	1,280,941
North Dakota	257,618	107,833
Ohio	721,058	1,922,549
Oklahoma	346,542	491,407
Pennsylvania	600,637	972,164
Rhode Island	-	247
South Carolina	97,624	280,970
South Dakota	325,837	464,835
Tennessee	1,852,330	659,603
Texas	1,410,200	2,435,366
Utah	256,312	562,968
Virginia	460,662	5,861,409
Washington	16,218	19,136
West Virginia	178,259	281,080
Wisconsin	3,492,507	3,117,557
	<u>\$ 28,559,788</u>	<u>\$ 40,606,540</u>

# **AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

### **12. CONTINGENCY**

The Organization is subject to claims, legal proceedings, and investigations of matters that arise in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or by accruals and, if not so covered, are without merit and will be vigorously contested or are of such kind or involve such amounts as would not have a significant effect on the financial position or results of operations of the Organization if disposed of unfavorably.

### **13. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 4, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Americans for Prosperity Foundation and Subsidiary  
Arlington, Virginia

We have audited the consolidated financial statements of Americans for Prosperity Foundation and Subsidiary as of and for the years ended December 31, 2018 and 2017, and our report thereon dated October 4, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



New York, New York  
October 4, 2019

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidating Statement of Financial Position

December 31, 2018

	AFPF	AFP	Eliminations	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,797,909	\$ 20,781,703	\$ -	\$ 27,579,612
Due from subsidiary	287,224	914,392	(1,201,616)	-
Other receivable	360,086	210,203	-	570,289
Prepaid expenses and other assets	209,289	474,244	-	683,533
Total current assets	<u>7,654,508</u>	<u>22,380,542</u>	<u>(1,201,616)</u>	<u>28,833,434</u>
Property, equipment, and leasehold improvements—net	67,214	38,784	-	105,998
Deposits	121,119	-	-	121,119
Total Assets	<u><u>\$ 7,842,841</u></u>	<u><u>\$ 22,419,326</u></u>	<u><u>\$ (1,201,616)</u></u>	<u><u>\$ 29,060,551</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 1,120,331	\$ 996,327	\$ -	\$ 2,116,658
Accrued liabilities	414,408	1,394,089	-	1,808,497
Due to subsidiary	914,392	287,224	(1,201,616)	-
Total current liabilities	<u>2,449,131</u>	<u>2,677,640</u>	<u>(1,201,616)</u>	<u>3,925,155</u>
Deferred rent liability	2,036,346	-	-	2,036,346
Total liabilities	<u>4,485,477</u>	<u>2,677,640</u>	<u>(1,201,616)</u>	<u>5,961,501</u>
Net assets				
Without donor restrictions	2,288,794	19,618,015	-	21,906,809
With donor restrictions	1,068,570	123,671	-	1,192,241
Total net assets	<u>3,357,364</u>	<u>19,741,686</u>	<u>-</u>	<u>23,099,050</u>
Total Liabilities and Net Assets	<u><u>\$ 7,842,841</u></u>	<u><u>\$ 22,419,326</u></u>	<u><u>\$ (1,201,616)</u></u>	<u><u>\$ 29,060,551</u></u>

See auditors' report on supplementary information

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidating Statement of Financial Position

December 31, 2017

	AFPF	AFP	Eliminations	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 8,933,129	\$ 12,717,751	\$ -	\$ 21,650,880
Due from subsidiary	-	2,315,622	(2,315,622)	-
Other receivable	150,304	23,900	-	174,204
Prepaid expenses and other assets	827,805	352,896	-	1,180,701
Total current assets	9,911,238	15,410,169	(2,315,622)	23,005,785
Property, equipment, and leasehold improvements—net	110,994	96,174	-	207,168
Deposits	135,015	-	-	135,015
Total Assets	<u>\$ 10,157,247</u>	<u>\$ 15,506,343</u>	<u>\$ (2,315,622)</u>	<u>\$ 23,347,968</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 544,506	\$ 1,874,033	\$ -	\$ 2,418,539
Accrued liabilities	278,205	818,980	-	1,097,185
Due to subsidiary	2,315,622	-	(2,315,622)	-
Total current liabilities	3,138,333	2,693,013	(2,315,622)	3,515,724
Deferred rent liability	2,105,788	-	-	2,105,788
Total liabilities	5,244,121	2,693,013	(2,315,622)	5,621,512
Net assets				
Without donor restrictions	3,307,086	12,689,659	-	15,996,745
With donor restrictions	1,606,040	123,671	-	1,729,711
Total net assets	4,913,126	12,813,330	-	17,726,456
Total Liabilities and Net Assets	<u>\$ 10,157,247</u>	<u>\$ 15,506,343</u>	<u>\$ (2,315,622)</u>	<u>\$ 23,347,968</u>

See auditors' report on supplementary information

**AMERICANS FOR PROSPERITY FOUNDATION  
AND SUBSIDIARY**

**Consolidating Statement of Activities**

Year Ended December 31, 2018

	AFPF	AFP	Eliminations	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 17,070,811	\$ 95,722,278	\$ -	\$ 112,793,089
Contributed services and gift-in-kind	4,070,958	26,789,978	-	30,860,936
Investment income	51,015	84,400	-	135,415
Miscellaneous income	158,577	737,506	(450,801)	445,282
<b>Total Support and Revenue</b>	<u>21,351,361</u>	<u>123,334,162</u>	<u>(450,801)</u>	<u>144,234,722</u>
<b>EXPENSES</b>				
Program services				
National activities	15,351,896	67,017,359	(186,494)	82,182,761
State chapter activities	1,423,125	27,268,170	(131,507)	28,559,788
	<u>16,775,021</u>	<u>94,285,529</u>	<u>(318,001)</u>	<u>110,742,549</u>
Supporting activities				
Management and general	4,991,744	16,635,839	(115,586)	21,511,997
Fundraising and membership development	1,140,358	5,484,438	(17,214)	6,607,582
	<u>6,132,102</u>	<u>22,120,277</u>	<u>(132,800)</u>	<u>28,119,579</u>
<b>Total Expenses</b>	<u>22,907,123</u>	<u>116,405,806</u>	<u>(450,801)</u>	<u>138,862,128</u>
<b>Change in Net Assets</b>	(1,555,762)	6,928,356	-	5,372,594
<b>Net Assets, Beginning of Year</b>	<u>4,913,126</u>	<u>12,813,330</u>	<u>-</u>	<u>17,726,456</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 3,357,364</u></u>	<u><u>\$ 19,741,686</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,099,050</u></u>

See auditors' report on supplementary information

# AMERICANS FOR PROSPERITY FOUNDATION AND SUBSIDIARY

## Consolidating Statement of Activities

Year Ended December 31, 2017

	AFPF	AFP	Eliminations	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 17,660,453	\$ 56,996,170	\$ -	\$ 74,656,623
Contributed services and gift-in-kind	3,523,298	25,374,514	-	28,897,812
Registration fees	17,776	210	-	17,986
Investment income	38,893	33,965	-	72,858
Miscellaneous income	231,993	548,550	(647,701)	132,842
	<u>21,472,413</u>	<u>82,953,409</u>	<u>(647,701)</u>	<u>103,778,121</u>
<b>EXPENSES</b>				
Program services				
National activities	11,586,988	24,828,730	(130,998)	36,284,720
State chapter activities	6,183,005	34,770,505	(346,970)	40,606,540
	<u>17,769,993</u>	<u>59,599,235</u>	<u>(477,968)</u>	<u>76,891,260</u>
Supporting activities				
Management and general	5,138,753	13,620,140	(140,585)	18,618,308
Fundraising and membership development	907,347	3,843,644	(29,148)	4,721,843
	<u>6,046,100</u>	<u>17,463,784</u>	<u>(169,733)</u>	<u>23,340,151</u>
<b>Total Expenses</b>	<u>23,816,093</u>	<u>77,063,019</u>	<u>(647,701)</u>	<u>100,231,411</u>
<b>Change in Net Assets</b>	(2,343,680)	5,890,390	-	3,546,710
<b>Net Assets, Beginning of Year</b>	<u>7,256,806</u>	<u>6,922,940</u>	<u>-</u>	<u>14,179,746</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,913,126</u>	<u>\$ 12,813,330</u>	<u>\$ -</u>	<u>\$ 17,726,456</u>

See auditors' report on supplementary information



Attachment



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## Responsibility Statement

Americans for Prosperity Foundation

FEIN: 52-1527294

Address for All: 1310 N. Courthouse Road, Suite 700  
Arlington, VA 22201  
Telephone (703) 224-3200

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Individual(s) responsible for custody of funds:

Alex Varban  
Treasurer

Individual(s) responsible for fundraising:

Emily Seidel, Chief Executive Officer

Individual(s) authorized to sign checks:

Alex Varban, Treasurer  
Emily Seidel, Chief Executive Officer  
Victor E. Bernson, Jr., Secretary and General Counsel  
Ben Houghton, Controller  
Jonathan Adcock, Financial Reporting Manager

Individual(s) responsible for distribution of funds:

Alex Varban  
Treasurer

Individual(s) responsible for custody of financial records:

Alex Varban  
Treasurer

Bank in which funds are deposited:

must include name of bank, address, phone number

BB&T  
2200 Wilson Blvd., Suite 100  
Arlington, Virginia 22201-5414

(703) 284-0535